ENCOURAGE SMALL MALAYSIAN SERVICE PROVIDERS TO MERGE INTO LARGER ENTITIES

1. INTRODUCTION

The services sector is currently fragmented and dominated by small firms. These firms need to build up capacity in view of the liberalisation of the sector in order to avoid hollowing out of companies and to be globally competitive. As such, there is a need to encourage small Malaysian service providers to merge into larger entities to build up the competitiveness of the smaller entities.

2. INCENTIVES

2.1 Flat tax rate of 20% on all taxable income for a period of 5 years (effective from the date of the merger); and

2.2 Stamp duty exemption on the merger document.

3. ELIGIBILITY CRITERIA

3.1 Enterprises that intend to merge must be:

3.1.1 100% Malaysian owned; and

3.1.2 Have annual sales turnover of less than RM5 million or full-time employees of less than 50.

3.2 Sectors eligible for this incentive include:

3.2.1 Professional services (accounting and taxation services, specialised medical & dental practices, architectural services and engineering services);

3.2.2. Courier services;

3.2.3 Technical and vocational secondary education services (generic & special needs); and

3.2.4 Skills training services

3.3 Mergers to take place within 3 years from the announcement of the incentive.

4. MECHANISM

Application submitted to Inland Revenue Board (IRB) and incentives to be provide through Exemption Order under Income Tax Act 1967 and Stamp Act 1949.

5. EFFECTIVE DATE OF APPLICATION

Applications received within 3 years from 3 July 2012 are eligible to be considered for this incentive.